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ABSTRACT

This unit on selecting a site for a small business, the seventh in a series of 18 modules, is on the second level of the revised PACE (Program for Acquiring Competence in Entrepreneurship) comprehensive curriculum. Geared to advanced secondary and beginning postsecondary or adult students, the modules provide an opportunity to learn about and try out entrepreneurship ideas so that students can make a preliminary assessment of how these ideas relate to personal needs. The units on this level contain detailed explanations of small business principles, suggestions on how to find information and use techniques, and encouragement for creating a future business. Students completing this unit should be able to perform these competencies: (1) identify factors that should be considered when selecting sites for specific types of businesses (retail, manufacturing, wholesale, service), (2) identify factors that should be considered when analyzing a geographic area as a possible location for a business, (3) determine the steps involved in selecting a business site, (4) discuss the factors considered in property appraisal, and (5) identify resources available to help entrepreneurs make site selections. The unit is organized into five sections. Following a preliminary section on how to use the unit (with vocabulary and a review of the objectives for this topic on level 1), the unit's information is presented in question-and-answer format. Individual and group activities, an assessment to be completed with the teacher, and sources used to develop the unit follow. A list of the modules of Revised PACE, Level 2 completes the unit. (KC)

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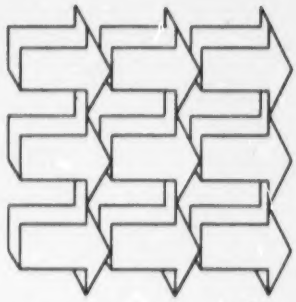
PACE
REVISED
Program for Acquiring Competence in Entrepreneurship



UNIT 7

☐ Level 1
☑ Level 2
☐ Level 3

Locating the Business

Developed by M. Catherine Ashmore and Sandra G. Pritz

You will be able to:

- **Identify factors that should be considered when selecting sites for specific types of businesses (retail, manufacturing, wholesale, service).**
- **Identify factors that should be considered when analyzing a geographic area as a possible location for a business.**
- **Determine the steps involved in selecting a business site.**
- **Discuss the factors considered in property appraisal.**
- **Identify resources available to help entrepreneurs make site selections.**

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Research & Development Series No. 240 BB 7

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BEFORE YOU BEGIN. . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read the Unit Objectives on the front cover. If you think you can meet these objectives now, consult your instructor.

3. These objectives were met at Level 1:

   - Explain the importance of selecting the right business site
   - Identify factors to be considered when selecting a business site
   - Determine advantages and disadvantages of different types of business locations (isolated, central business district, neighborhood, shopping center, etc.)
   - Describe terms of occupancy contracts for a business

   If you feel unsure about any of these topics, ask your instructor for materials to review them.

4. Look for these business terms as you read this unit. If you need help with their meanings, turn to the Glossary in the *Resource Guide*.

   appraisal
   audit
   clientele
   industrial park
   urban renewal projects/revitalization projects
   zoning laws

LOCATING THE BUSINESS

WHAT IS THIS UNIT ABOUT?

Locating a business involves a very important decision. This business decision can "make or break" the firm. No matter what type of business you are considering, a good location will get you started on the "right foot."

The focus of this PACE unit is on planning for the right location. Topics included in the unit are: the importance of the business location, general location factors, specific location factors, types of business locations, and assistance available for site selection.

HOW IMPORTANT IS THE RIGHT BUSINESS LOCATION?

Studies have shown that a good business location is a major success factor. The sales volume of your business is greatly affected by the location of the business. Businesses must be located near their customers. Location is important in attracting customers to your business. A poor location means you must attract customers by other mean than convenience. These include reducing prices, increasing promotions, or some other costly practice that eats into your profits.

When planning the location of your business, an important consideration is the nature of the business you will operate. Although there are general factors to be considered for locating any business, the importance of these factors varies with the type of business operation.

Easy access and traffic patterns are most important for *retail* establishments. Customers should be able to reach these firms from major roads. Ample parking should be available. Even the different pedestrian traffic patterns within a shopping center are important to owners of retail businesses.

Many studies of customer traffic patterns have been completed. Anyone planning a retail business should examine these studies. Patterns that contribute to the success of theaters, service stations, drugstores, and apparel shops all vary in important ways.

Different factors are of primary importance when selecting sites for *wholesale* establishments. Rail, truck, and air carriers should have easy access. The wholesale establishment should be located near major highways or rail lines. Because of the nature of the facilities, equipment, and fixtures, the number of good sites is often limited by zoning laws and permits.

Although being close to a shopping center has advantages for many service businesses, customers are likely to seek out and travel further for a service. They will often go out of their way to visit a preferred dentist or a TV repair shop. So even among service firms, differences exist in the relative importance of the factors to be considered in site locations.

Manufacturing firms have the most restrictive zoning limitations. If you are considering a manufacturing business, check into zoning laws, shipping facilities, availability of appropriate buildings,

distance from raw materials, and near- ness to the potential market. All are important site considerations.

Selecting the right site is of vital importance to the success of your business. To help you rate available sites as you study them, and to compare these sites in terms of their suitability for your type of business, the Small Business Administration (SBA) provides a "Rating Sheet on Sites."

WHAT GENERAL FACTORS SHOULD BE CONSIDERED WHEN SELECTING A BUSINESS LOCATION?

When planning for the location of a small business, three general factors should be considered: economics, population, and competition. These factors are used to determine an appropriate geographic area or city for the business:

Economics. A major concern in planning the location of a small business is the economic base of the area. The type of industry in an area will influence the economic conditions of the region. Agriculture, manufacturing, and commercial trade are major types of industry. The variety of industry is an important item. Some areas depend on one industry while other areas have a balanced variety of business establishments. The future of the area should be studied in terms of the stability of the economic base.

A study should be made of the industries in the area to answer the following questions:

- Do townspeople depend on one industry or business for their jobs?
- Or does the community have a variety of industries?
- Is industry in the area healthy?
- Is it seasonal in nature?
- Are industries moving in or are they locating elsewhere?

You will need to analyze the impact these industrial conditions will have on your business.

Other economic factors are important when locating a business. Good highways and railroad facilities are favorable to business. The availability of public utilities and a well-trained labor force are positive factors. Local taxes are also an economic factor.

Population. A second general factor that affects business location is the nature of the population. Because the income of individuals determines the demand for goods and services, owners of small businesses should gather information about the income patterns of the region. Population trends should also be reviewed. The growth, decline, or stability of the population, as well as the standard of living, are items of interest.

Entrepreneurs should gather economic information about the population in the area selected. Specific Questions to be answered include—

- What is the average income?
- Is there a mixture of income levels (low, medium, high) in the area, or does the area have predominately one income level?
- What are the employment/unemployment trends?
- Do most people own or rent their homes?
- What changes have occurred in the population?

Competition. The third general factor important to business location concerns the number and type of competitors or potential competitors. The number of competitors is important, because an area can support only a limited number of competing businesses. If too many of the same type of business locate in the same area, they may all have limited sales and several may not survive. A small business owner can determine if the competition is alert and up to date by driving through the area and visiting a number of firms. The presence of chain stores, franchises, and other major firms should be noted. You should know not only how many competitors exist in your sales market, but also where they are located.

You should also find out how many businesses similar to yours have opened or closed in the past two years. Indirect competition that provides similar kinds of goods and services is another factor to analyze.

Investigating the competition in a geographic area is a vital step in the planning of a business location. Questions similar to those that follow should be answered.

- How large are the competitors?
- What do their customers think about the products or services offered by the existing establishments?
- What type of management—cooperative or cut-throat—exists in the area?
- If there is little or no competition, why not?
- What is the history of businesses like yours in the area?

Three conditions favorable to opening a new firm are: (1) the absence of similar firms, (2) the presence of poorly managed companies, or (3) an expanding market. A study of your competition will let you know if any of these conditions exist.

WHAT SPECIFIC FACTORS SHOULD BE CONSIDERED WHEN SELECTING A BUSINESS SITE?

Once you have studied the general factors and selected a geographic area or city, you must choose the actual business site. The specific considerations vary with the nature of your business. Items concerning competition, traffic flow, transportation, parking, and zoning ordinances should be analyzed when planning the site of the business. The relative importance of these factors depend upon whether you are planning a retail establishment, manufacturing firm, wholesale business, or service business.

Retail Firms. The success of a retail store is tied to its ability to attract customers. The store must be located close to where its potential customers travel. The type of goods you sell determines how close you should be to your customers. Stores that sell convenience goods, like candy and cigarettes, need to be located in high traffic areas. Businesses selling shopping goods, like appliances and furniture, can be successful on secondary streets, since customers will make some effort to search them out. Specialty goods, like jewelry or health foods, can be sold by stores "off the beaten path," since consumers will spend quite a bit of time searching for the right item.

The nature of neighborhood stores is another planning consideration. Some stores will not draw enough customers alone, so they should locate near stores that draw similar customers. Some stores are incompatible as neighbors; one store's customers drive the other store's customers away. Studies have shown that clothing stores and service stations are not compatible neighbors.

Customers should face few problems in reaching your store. In planning your location, consider parking facilities, public transportation, and the volume of traffic. Many entrepreneurs will conduct a traffic analysis to determine the number and type of persons traveling in a certain area of town.

You should also consider several other factors. Zoning and other local ordinances, the cost of the site, and the general appearance of the area surrounding the site are also important.

Wholesale Firms. These businesses sell to retailers or other wholesalers in the area. Prosperous retailers, a growing population, and a broad economic base are positive factors. When planning for the specific site of the wholesale firm, consider closeness to major highways or rail lines. Local utility services and ordinances should also be investigated.

In many areas, an old established wholesaling district may meet the needs of the firm. Recently, many wholesalers have located on the outskirts of towns near major thoroughfares. Careful study of location factors is necessary to choose the right location.

Service Firms. The location factors for a service firm are similar to those for locating a retail firm. Some services require the customer to be present at the firm, such as dry cleaners, and other services are provided on the customer's premises, like pest control or janitorial services. A location near the customers is most important for the first type of service firm.

Manufacturing Firms. Site location for small factories requires the analysis of many of the factors already discussed for other businesses. Access to the market, transportation facilities, community services, and potential for expansion have been mentioned as factors to consider. Additional factors for small manufacturers include the quantity and quality of the labor supply, availability of raw materials, and community attitudes towards the business.

A careful analysis of these many factors are necessary for the selection of the proper factory site. The right site will minimize many of the problems faced by small manufacturers.

WHAT ABOUT THE FUTURE?

As you plan the location of your firm, it is important to consider the future. Information concerning the general and specific location factors is mostly historical. It deals with the past. Your business will be operating in the future. Change occurs rapidly in today's world. Hand-held electronic calculators that cost $150 a few years ago can be purchased for $10 today.

As you gather information on economics, population, and competition, think about the future. Do any of your sources have copies of plans for future developments? During your review of the data already gathered, did you notice any trends? Are these likely to continue? Once you know about plans for the area and are familiar with some trends, you can make some of your own forecasts.

How will these forecasts affect your business? Some locations may be more promising now, but not so promising in the future. The reverse may also be true. When planning a location for your business, consider the future. Three to five years down the road is reasonable. You should be concerned not only with the future of the area, but also the future of your business. What happens if your business is successful beyond your wildest dreams? Will you have room to expand? Do you have alternative sites in mind? The future is an important factor in business location.

WHAT TYPES OF BUSINESS LOCATIONS ARE THERE?

As the process of planning a business location proceeds, you will notice that businesses tend to cluster together. This is natural, since many of the general factors and some of the specific factors apply to many businesses. If a factor is favorable to one business, chances are that factor is favorable to other businesses. These clusters occur without planning. On the other hand, shopping centers and industrial parks are planned clusters.

Generally speaking, firms will cluster into one of the following types of locations:

- Central Shopping Districts
- Neighborhood Shopping Centers
- Shopping Centers
- Industrial Parks

Central Shopping Districts. These are the main shopping district in the city or town. They are generally located on the main street and often include several city blocks. Government offices, banks, and similar types of institutions provide a market for restaurants, theatres, and general merchandise stores.

The major advantage of this kind of location is the drawing power of the numerous and often large retail and service establishments. Heavy pedestrian and automobile traffic make it a good location for stores selling convenience items. The advertising and sales promotions of the individual stores draw additional customers from a large trading area. Recently, through urban-renewal and revitalization projects, the downtown areas of many cities and towns have been made more attractive.

A major problem in many central shopping districts is the declining quality of life. High crime rates, vacant stores, and traffic congestion are unpleasant facts of life in many cities and towns. Other problems include high operating costs and heavy competition.

Neighborhood Shopping Areas. Scattered throughout cities and towns are small clusters of retail and service firms. These clusters are located along busy streets close to residential areas. Clusters of this type are known as neighborhood shopping areas.

These areas are attractive to small business owners because of lower rents and operating costs. Additionally, the personal contact with friends and neighbors is enjoyable. This accounts for many repeat sales. A well-balanced assortment of stores also tends to act as a drawing card.

The major drawback to these locations is that they attract customers from a small trading area. These shopping areas will support only smaller stores.

Shopping Centers. These business clusters are planned shopping areas. They have grown with the increased use of the automobile. Shopping centers are usually located on the outskirts of a city or town near a major highway. The three basic types of shopping centers are neighborhood, community, and regional.

Neighborhood centers, sometimes called strip centers, are desiqned to serve people within a five to ten minute drive. A supermarket often is the largest store in the center. Community centers attract customers willing to drive twenty minutes or so. A small department or general merchandise store will serve as the major client. A regional center is usually enclosed and has two or more major department stores. Customers will drive from areas forty minutes away or more.

The major advantage of shopping centers is their ability to attract customers. This drawing power is enhanced by a planned tenant mix, pooled advertising, and promotion programs. Ample parking is provided. Shopping centers attempt to create an attractive and

appealing overall atmosphere. Many centers sponsor promotional events, like new car shows, to attract potential customers.

Shopping centers do have some disadvantages. The cost of space in a shopping center can be high. Also, you will give up some of your independence, since most stores are required to maintain uniform hours. You may be limited in your advertising and promotional programs to insure they meet center standards. Maintenance fees can be increased by center management, with little say-so from the clients.

Industrial Parks. Industrial parks are to manufacturers and wholesalers what shopping centers are to retailers. Industrial developers provide the industrial firms with the location factors most sought after by these firms. Industrial parks are planned packages.

These parks are generally located on the outskirts of town and cities. Major highways and rail lines are located close by or run through the park. Utility hookups for industrial use are in place. Many areas offer tax savings to businesses locating in the park.

WHAT STEPS ARE INVOLVED IN SELECTING A BUSINESS SITE?

Many factors must be reviewed when planning a business location. An organized approach to this task is helpful. You may want to follow these steps—

1. Select a general area for consideration.
2. Survey several promising sites within the general area.
3. Establish specific criteria for the site.
4. Rate each site based on the criteria, and make your decision.

As you take the first two steps, consider economics, population, and competition characteristics. Consider the nature of your business and the various types of business locations as you do the last two steps.

You can develop a checklist similar to the one that follows. This will help you organize your search.

I. Characteristics of the Economy

- What types of industry exist in the area?

  Agriculture
  Manufacturing
  Wholesale
  Retail
  Other

- What is the condition of the industrial base?

  Stable
  Growing
  Declining

II. Characteristics of the Population

- What income levels exist in the area?

  High
  Middle
  Low

- Which age levels contain the most individuals?

  Preteenagers
  Teenagers
  Young Adults
  Adults
  Senior Citizens

- Where do the people live?

  Urban
  Suburban areas
  Rural areas

III. Characteristics of the Competition

- How many competitors exist?

  Many
  Few
  None

- Where do the competitors exist?

  Along the main streets
  Scattered throughout the area
  In shopping centers

- What type of competitor is evident?

  National or regional firms
  Franchise operations
  Local operations

IV. Nature of Your Business

  Retail
  Service
  Wholesale
  Manufacturing

V. Specific Factors to Consider

- Are you aware of local ordinances affecting your business?
- Are you located near your customers?
- Are transportation facilities adequate?
- Are neighboring businesses compatible with yours?
- What is the cost of the site?
- Are municipal services available?
- Is the labor supply adequate?
- Do you have room to expand?

VI. Types of Business Locations

- Which of the following locations exist in your area?

  Central shopping district
  Neighborhood shopping area
  Major traffic routes
  Shopping centers
  Industrial parks

- Are they appropriate for your type of business?

  Yes
  No

SHOULD YOU BUY AN EXISTING BUSINESS OR START A NEW ONE?

As you plan the site of your business, perhaps, you will find several suitable locations. You may have to decide whether to buy an existing business or start a new one.

Buying an existing business will have the following advantages:

- Studying the site will be easier. Existing businesses often have readily available data, such as traffic studies, counts of the number of people who pass the location at various times of the day, type of potential clientele who shop the area and so on.
- The current owner's equipment, furnishings, and fixtures will be available. You will save time because you will not have to locate all of the necessary materials. In addition, you may cut costs using the available items.
- Previous owners or employees may be able to help you manage the organization. They can provide you with helpful

contacts, saving you time and money. There may be no need to hire new employees.

- You may have established customers. These customers could be a tremendous source of income that may reduce the risk in opening a business.

Buying an existing business has some disadvantages. The location may be so poor that even good management could not make the business succeed. Beware of the deal that sounds "too good to be true." The owner/manager may have driven customers away; the inventory may be outdated; fixtures and buildings could be in poor condition and equipment obsolete.

The advantages of starting a new business are many. You will have the chance to select your own employees, fixtures, and equipment. You will have no need to follow up the previous owner's policies and practices; you can develop your own. You can "start anew" with customers without overcoming any ill will previous owners may have created.

Choosing a new site is more of a gamble. You will need to study a number of locations, gather city and local data, and rely more on your instinct. You will also have to build up and maintain a completely new and unknown clientele.

WHAT SHOULD BE DONE TO APPRAISE A BUSINESS?

As discussed above, buying an existing business and opening a new business each have advantages. Before you decide which is better for you, perhaps you should evaluate an existing business. As a potential buyer you must carefully analyze the business to determine its worth. Throughout your evaluation, you should be consulting such experts as public accountants, bankers, lawyers, Chamber of Commerce personnel, professional trade association advisors, and real estate people. They will provide you with objective answers to your questions.

One of the first questions you should try to answer is: "Why does the seller want to sell?" Is it because of poor personal health, retirement, or decreasing sales? Sometimes people buy an existing business and find out a year later that the seller opened a competing business at a better location. Consider the seller's answer thoughtfully. You want to be sure it is accurate. Talk with the local bankers, customers, suppliers, and possibly even competitors and employees. Listen to what they say. Be especially careful. Knowing the real reason for selling will help you decide whether or not to buy.

Another major concern when evaluating the business is determining its profit potential. When analyzing profit information, ask three questions: (1) What are the profit trends of the business? (2) Are the profits similar to other businesses in the same industry? (3) If profits are low, is it realistic to believe they can be increased with your leadership?

Other questions that need to be answered are--

- If the seller has an exclusive selling agreement with a supplier, can that be transferred to you?
- Does the business have a good reputation among its customers?
- Are there special licenses required because of change in ownership?
- What is the total initial amount of money needed to get into this business, including purchase price, working capital, money for repairs, and purchase of new stock?

Before you decide to buy a firm, arrange for an audit of the seller's records and financial statements. Use a reliable public accounting firm. In addition to the current audit report, you will want to have information on past sales and profit figures. This type of information is available in the seller's tax returns. Beware of a seller who is not willing to share the information needed to conduct a complete audit. A serious seller should be willing to comply with an audit.

It is also wise to have an expert appraisal of the equipment, building, fixtures, and other fixed assets to determine their current worth. This requires a physical inventory.

You will also need to study the condition of the inventory. You must determine how much of the stock can be sold, whether the investory is balanced (i.e., is there too much of one item?), and how much of a loss you will take by getting rid of unsatisfactory items.

Finally, you and the seller must agree upon the price for the business. Since the seller has an emotional investment as well as a financial investment, the selling price may be higher than the fair market price. So before you make your final decision, be sure to have an accountant determine the net worth of the business. The sales agreement or contract should be drawn up by a lawyer. Don't attempt to do these activities yourself unless you are an expert accountant or attorney. This way, some future headaches and mistakes can be avoided.

WHAT HELP IS AVAILABLE FOR SELECTING A LOCATION?

Your business location must be selected as a result of study and planning, not on a hunch. Selecting the correct site is complicated and requires the study of many factors. These factors relate to the type of business to be established, customers to be served, and types of goods and services to be sold. Therefore, conducting a thorough market study is very important. This study does not need to be sophisticated, but it must be done carefully. In addition to conducting your own research, a great deal of free or inexpensive data is available. Many organizations are willing to assist in conducting the study.

A first step in conducting research for planning a business location is to gather appropriate data. Many sources of free and inexpensive data are available for an owner of a small business to conduct a preliminary feasibility study. The U.S. Government is a valuable source and publishes the following items:

- *Statistical Abstract of the United States.* This annual publication includes national demographic data on such items as population and income.
- *County and City Data Book.* Data for any city or county with a population over 25,000 is included in this source. Also included in this book is information concerning the number of businesses, number of families, number of multifamily and single-family housing units, and average income.
- *The Survey of Current Business.* This useful monthly publication includes monthly sales volume for various products and services, economic information (including unemployment data), and articles on subjects such as changes in consumer buying habits.

An additional source of information is provided by the "Survey of Buying Power," published yearly by Sales and Marketing Management magazine. This survey prints data on individual and family purchasing power for metropolitan areas of the United States.

Once a preliminary study has been conducted, additional information and assistance can be obtained from a variety of organizations. Some of these organizations will have economic survey results and other data, such as traffic counts, collected locally. Some agencies will also be willing to help you conduct your study by providing guidance or even doing some of the collection and analysis of the information. Contact the following agencies to obtain their services:

- Small Business Administration
- National or local Chamber of Commerce
- Trade associations such as the National Retail Merchants Association
- Planning commissions
- Manufacturers and wholesalers
- Neighboring businesses
- Bankers
- Consultants
- Local colleges

Once you have gathered sufficient data, the actual site selection process can begin. The entrepreneur can conduct the study or employ professionals. Many professional area development groups provide their services free of charge. These groups are generally one of three types: government sponsored, civic organizations, or private corporations. The services provided include—

- information such as wage and tax rates;
- contacts with influential and knowledgeable people;
- financial assistance arrangements for loans, grants, and bonds;
- projections of economic potential.

Most states have economic development agencies, as do many local areas. For more information regarding these agencies, contact:

- National Association of State Development Agencies Hall of States, Suite 116
  444 North Capitol Street, N.W.
  Washington, DC 20001

or

- American Economic Development Council
  1207 Grand Avenue, Suite 845
  Kansas City, MO 64108

Planning the location of a business requires the review of many factors. Information for and assistance in planning business locations is abundant. An entrepreneur should use these resources in a reasonable, methodical way. The business location decision is important, for you may make it only once, and the location can make you or break you.

ACTIVITIES

Do you feel you have gained some knowledge of planning the location of a small business? Do you understand the major factors to consider when choosing a business location? The following activities are designed to enable you to develop a plan for locating a small business.

INDIVIDUAL ACTIVITY

A first step in planning a business location involves a study of the economics, population, and competitive characteristics of a geographic area. Compile a list of specific questions to be answered or information needed for each of the major factors in locating a small business of your choice. Visit a library located within the geographic area under consideration and obtain as much information as possible concerning the items on your list. Feel free to add new questions to the list as you conduct your research. Prepare a final list of the items and their answers to use as a planning tool.

INDIVIDUAL ACTIVITY

A second step in planning a business location is analyzing the factors concerning the selection of a specific business site. Visit at least two real estate agencies or an economic development agency, and compile a list of factors they consider when selecting locations for small businesses of the type you are planning. Select a local business and, through observation, interviews, and library research, evaluate its location for each of the factors identified by the real estate or economic development agency.

GROUP ACTIVITY

Form a group of three or more people to evaluate the locations of three or more similar firms. Be sure to include a business in the central shopping district, a business in a neighborhood shopping area, and another business in a shopping center. The group should assemble to discuss the evaluations. Compare and contrast the three types of business locations. If you plan to open a manufacturing firm, be sure to evaluate an industrial park location.

GROUP ACTIVITY

After completing this unit and gathering information about the general factors to be considered in locating a small business, select a promising site and conduct a site history. In small groups of five to seven persons, briefly report on the history of the site. Compile a list of factors that make a location good and factors that make a location bad.

CASE STUDY

Sara Toney has been operating a catalogue sales store affiliated with a large national department store. During the two years she has been in the business, sales have increased every month due to effective promotions and an emphasis on customer service.

The most profitable sales are the large home appliances, like washers and dryers, refrigerators, and electric ranges, all of which are delivered and set up free of charge. The increased sales of large appliances have caused space problems due to display and storage requirements. Several of the appliances in storage and on the display floor have been damaged due to the crowded conditions.

The store is leased at very reasonable terms, is located close to the intersection of two main streets in the center of town, and has ample parking. The layout of the store is long and narrow, with the narrow

front of the store facing a main road. This narrow front severely limits the amount of window display and promotion area.

The central shopping district of the town has been undergoing changes in the past few years. Some old established businesses have gone out of business or sold out. Several new businesses have been started, but are struggling to make it. Two new national retailers--a drug store and a general merchandise store—have opened and seem to be doing well.

Sara has been approached by a local real estate developer to become a tenant in a shopping center under construction two miles outside of town. The shopping center is being located at the intersection of the main north-south route through town and a soon-to-be completed four lane highway. The major tenant in the center will be a store in a regional grocery chain. Ten other establishments will be located in the shopping center, none of them appliance stores. The ten- ant space the developer has selected would double the space of Sara's current store, but the rent would be four times her current lease payments.

Sara has asked you for advice on evaluating the new location. What questions should she ask of the developer? What factors should she consider while evaluating the move? Where can she get information that will help her make a decision? And finally, under what conditions should she make the move?

ASSESSMENT

Directions: Read the following test items. Answer each item to check your knowledge of the topics presented in this unit. When you have completed the items, ask your instructor to check your answers.

1. Identify and explain the three general factors that should be considered when analyzing a geographic area as a possible location for a business.

2. Identify and explain five factors that should be considered when selecting sites for the following types of firms:

   - retail
   - wholesale
   - service
   - manufacturing

3. Determine the steps to be followed when planning the selection of a business site.

4. List five sources of assistance or information available to help small business owners plan site selections. Describe the type of assistance or information from each source.

5. Discuss the factors considered in the appraisal of property when purchasing a business.

SOURCES USED TO DEVELOP THIS UNIT

Burstiner, I. *The Small Business Handbook*. Englewood Cliffs, NJ: Prentice-Hall, 1979.

Day, W. *Maximizing Small Business Profits*. Englewood Cliffs, NJ: Prentice-Hall, 1978.

Ely, V., and Barnes, M. *Starting Your Own Marketing Business*. 2d ed. New York: McGraw-Hill Book Co., 1978.

Levine, T.M. "Outsiders Can Ease the Site Selection Process." *Harvard Business Review* (May-June 1981): 12-16.

Pickle, H., and Abrahamson, R. *Small Business Management*. New York: John Wiley & Sons, 1976.

Siropolis, N. *Small Business Management*. 2d ed. Boston: Houghton Mifflin, 1982.

Sullivan, D. *Small Business Management*. Dubuque, IA: Wm. C. Brown Co., 1977.

U.S. Small Business Administration. *Presenter's Guide Series: Location and Layout for Small Business*. Washington, DC: U.S. Government Printing Office, 1979.

For further information, consult the lists of additional sources in the *Resource Guide*.

PACE

Unit 1. Understanding the Nature of Small Business

Unit 2. Determining Your Potential as an Entrepreneur

Unit 3. Developing the Business Plan

Unit 4. Obtaining Technical Assistance

Unit 5. Choosing the Type of Ownership

Unit 6. Planning the Marketing Strategy

Unit 7. Locating the Business

Unit 8. Financing the Business

Unit 9. Dealing with Legal Issues

Unit 10. Complying with Government Regulations

Unit 11. Managing the Business

Unit 12. Managing Human Resources

Unit 13. Promoting the Business

Unit 14. Managing Sales Efforts

Unit 15. Keeping the Business Records

Unit 16. Managing the Finances

Unit 17. Managing Customer Credit and Collections

Unit 18. Protecting the Business

Resource Guide

Instructors' Guide

Units on the above entrepreneurship topics are available at the following three levels:

- Level 1 helps you understand the creation and operation of a business
- Level 2 prepares you to plan for a business in your future
- Level 3 guides you in starting and managing your own business

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